THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN EXAMINERS' COMMENTS	
SUBJECT Audit, Assurance and Related Services	**SESSION** Certified Finance and Accounting Professional (CFAP) Examination Summer 2025

Passing %

Question-wise						Overall
1	2	3	4	5	6	23%
42%	16%	54%	20%	19%	25%	

General Comments:

The overall result in this session declined slightly from 26% in the previous session to 23%. This decrease reflects a continuation of recurring issues that have been highlighted in earlier sessions, indicating that examinees need to better align their preparation with the requirements of this professional-level examination.

A key concern remains the inability to interpret and respond to specific question requirements. Many examinees provided generic or irrelevant responses, with a tendency to reproduce provisions from ISAs and the Code of Ethics without applying them to the facts presented in the scenario.

The performance in scenario-based questions revealed a lack of analytical depth and professional judgment. While some examinees could list standard audit procedures, most were unable to tailor their responses to the situation at hand, resulting in weak evaluations and inaccurate conclusions.

Question 1

- Examinees identified the risks but failed to properly discuss the underlying reasons.
- Most examinees did not identify and discuss the following audit risks:
    - Impairment of investment
    - Breach of debt covenants
    - Liquidity and going concern issue
    - Fraudulent financial reporting
    - Equity component of the compound financial instrument

Question 2

Examinees demonstrated limited understanding of the composition of the upfront franchise fee, failing to recognize that it included both the right to operate under the franchisor's brand and the sale of the store.

Additionally, the following issues were generally not identified by the examinees:

- The classification of assets as held-for-sale; and
- The recognition of a restructuring provision;

Consequently, examinees focused on general audit procedures for revenue recognition rather than tailoring procedures to the scenario-specific risks.

Question 3

Examinees incorrectly interpreted the misstatement in goodwill impairment as an instance of fraudulent financial reporting. This led to inappropriate conclusions regarding the reporting implications. Furthermore, many treated the waiver of the debt covenant as an adjusting event and concluded that an unmodified opinion should be issued, which was incorrect.

Question 4(a)

Examinees overlooked the fact that the service auditor's report covered only the period from 1 January 2024 to 31 December 2024, resulting in an untested gap from January to March 2025. This omission meant that examinees did not address the audit procedures needed to obtain assurance over the effectiveness of IT controls during this period.

Question 4(b)

Examinees struggled to discuss the broader implications of ineffective IT General Controls (ITGCs). The inability to rely on ITGCs can significantly affect the reliability of transaction processing and data integrity, potentially resulting in a scope limitation.

Additionally, many assumed that the absence of Type 1 or Type 2 reports from the service organization necessitated a qualified opinion. However, the absence of such reports does not automatically prevent the auditor from obtaining sufficient appropriate audit evidence through alternative procedures.

Question 5

Examinees failed to evaluate the ethical implications of the following:

- Whether the value of the meal provided could compromise the auditor's independence,
- The prepayment of audit fees, which may be perceived as creating a financial dependency or pressure, and
- The appointment of the engagement partner's brother-in-law to a key position, which, while not classified as a "close family member," still raises concerns for future engagements.

Question 6(a)

Examinee responses were limited to standard acceptance considerations such as ethical compliance and management integrity. Most examinees did not recognize the engagement's special nature, which was auditing a full set of financial statements prepared under a special purpose framework. This required additional acceptance considerations.

Question 6(b)

Examinees did not address the need for the auditor to assess whether the going concern assumption is appropriate under the special purpose framework. Also missing was the discussion on how the going concern basis should be communicated in the auditor's report in the context of the special purpose framework.

(THE END)